



Public Housing Sustainability & Reform

Conference Presentation

November 13, 2012



Presentation Outline

- ❑ Governor Patrick's Commission Executive Order, Commission Principles, Findings, Recommendations
- ❑ Working Groups follow-up on Commission Recommendations
 - ❑ Funding & Mixed-Finance
 - ❑ Resident Services, Supports & Engagement
 - ❑ Unified Management System
- ❑ Administrative Reforms Already Underway



Governor's Executive Order

- Maximize value of state's investment
- Enhance & preserve system integrity
- Address financial needs of portfolio
- Enhance fiscal & operational viability
- Design regional governance structure that balances needs & interests of portfolio, residents & local communities



Commission's Key Principles

All Recommendations Should Serve 3
Primary Purposes:

1. Improve Resident Experience
2. Improve Housing Conditions
3. Seek to preserve 100% of the state's public housing stock



Summary of Commission's Key Findings

1. Effective services can help sustain vulnerable tenants
 2. Local boards are important to the strength of the public housing system
 3. Effective management & governance depends upon multiple kinds of professional expertise, plus local staff who work directly with residents
 4. Given size which limits staff & board capacity, many smaller LHAs need additional capacity that cannot be obtained efficiently at the local level
 5. Preservation & sustainability requires increased capital & operating funding, innovation and leveraging
 6. Statutory & regulatory change should simplify and clarify the rules & procedures while preserving & enhancing accountability
 7. New structures or systems are necessary to expand access to information
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Commission Recommendation Highlights

- ❑ Increase funding & expand innovation for long-term preservation & sustainability
 - ❑ Expand resident services, supports & involvement
 - ❑ Strengthen LHA governance & operation
 - Maintain Local Boards to own & govern housing
 - Create a mandatory unified property management system for LHAs with less than 200-250 state-only units to provide all property management services
 - ❑ Strengthen accountability & transparency
 - ❑ Form Working Groups to further plan & implement
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Funding & Mixed-Finance

Working Group Update

- ❑ Available funding falls far short of the need
 - Annual Operating Subsidy: \$64M Real cost study estimates need to \$125M
 - Annual capital spending cap: \$95M Capital Planning System 10-yr need approx. \$2 B
- ❑ Innovation and leveraging of private sector & local funds is critical
 - In 2008 DHCD launched sustainability program which so far has reduced energy and water usage by 5% annually
 - In 2009, DHCD launched Formula Funding with annual capital planning
- ❑ What's next? **Launch new larger project pipeline**
 - Approximately \$75M over next 5 years
 - Allocate funds to maximize preservation outcomes; blend of high priority and higher cost preservation projects and simpler moderate rehab. projects
 - Seek to off-set or leverage operating subsidy needed

Annual Estimated Spending Targets

	<i>FY14</i>	<i>FY15</i>	<i>FY16</i>	<i>FY17</i>	<i>FY 18</i>	<i>5 year total</i>
<i>Formula Funding</i>	\$45,000,000	\$45,000,000	\$45,000,000	\$45,000,000	\$45,000,000	\$225,000,000
<i>Emergency and Compliance Reserve</i>	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$40,000,000
<i>Sustainability</i>	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$10,000,000
<i>Existing Large Project Pipeline</i>	\$24,000,000	\$22,000,000	\$10,000,000	\$10,000,000	\$2,000,000	\$68,000,000
<i>New Pipeline: Comp Mod, Mixed-Fi, High Leverage</i>	\$5,000,000	\$7,000,000	\$18,500,000	\$18,500,000	\$26,000,000	\$75,000,000
<i>Admin & 3rd Party Costs</i>	\$6,000,000	\$6,000,000	\$6,500,000	\$6,500,000	\$7,000,000	\$32,000,000
Annual Spending CAP	\$90,000,000	\$90,000,000	\$90,000,000	\$90,000,000	\$90,000,000	\$450,000,000



Funding & Mixed-Finance

The Basics of Mixed Finance and Tax Credits

- ❑ “Mixed Finance” means combining public and private funds, especially tax credits.
- ❑ Why use Mixed Finance?
 - Because public housing capital funding is insufficient for larger rehabs.
 - Because funding is available and LHAs must pursue available funds to fulfill their mission.
- ❑ Many housing authorities in MA and elsewhere have done Mixed Finance projects.
- ❑ Sponsors to date include LHAs in Boston, Cambridge, Chelmsford, Somerville, Framingham, Taunton and Holyoke.
- ❑ The Low Income Housing Tax Credit (LIHTC) is the key source of funds in 90% of major preservation and creation of affordable housing since 1986.
- ❑ LIHTC housing must serve households below 60% AMI. Corporations provide equity funding for affordable housing projects in return for tax credits, which reduce corporations’ tax bill.



Funding & Mixed-Finance

The Basics of Mixed Finance and Tax Credits

- ❑ Two types of tax credits:
 - “Competitive” or “9%” credits provide about 70% of project development costs.
 - “Automatic” or “4%” credits provide 30-40% of project development costs.

 - ❑ Prototype Mixed Finance Rehab: 150 units, total development costs **\$7.0** million.
 - Tax credit equity: **\$2.8MM.**
 - DHCD grant: **\$1.0MM.**
 - Local grant (CDBG, HOME, CPA, Trust): **\$0.8MM.**
 - Bank loan: **\$1.2MM**, paid with cash flow from 15 project-based Sec. 8s.
 - Home Loan Bank, Home Funders, other: **\$1.2 MM**

 - ❑ Mixed Finance Development Team includes:
 - Sponsor/LHA, Architect, GC/CM, Consultant, Attorney, Investor, Lenders, Account, Property Manager. Consider private partner.

 - ❑ Challenges include:
 - Predevelopment funding, LHAs lack expertise, long/intensive lead time, public bidding, relocation, cost containment, LHA provides guarantees.
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Resident Services, Supports & Tenant Engagement

Working Group Update

☐ Family Program

- Establish economic mobility program pilot using flexible housing and services benefit
- Focus on youth programs and encourage partnerships between LHAs & local schools

☐ Elderly Program

- Bring together LHAs, EOEA and service providers to evaluate, improve and expand supported housing program
- Quantify economic benefits of aging in place and leverage investments to support expanded opportunities; consider social innovation bond financing

☐ Tenant Engagement

- Revise tenant participation regulation to improve and expand resident participation process



Unified Property Management System

Working Group Update

- ❑ Participation mandatory
 - For all LHAs with less than 250 state-only public housing units **or**
 - For all LHAs with a total of 500 or less state only hard units plus Section 8 and MRVP

 - ❑ Unified management system based on strong local touch
 - Local staff, property manager, maintenance, custodial
 - Regional supervision, capital planning & technical assistance
 - Centralized back office, accounting & application/wait list

 - ❑ Local Boards
 - Operating & capital allocations remain local (via contract between DHCD & each LHA)
 - Boards review & approve annual operating & capital budgets
 - Make all development & ownership decisions
 - Approve hiring of local site staff
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Unified Property Management System Governance

Working Group Update

- ❑ Establish a new Quasi-Public Entity to create the UMS
 - Quasi ensures a public governance structure that is accountable to the Governor, Legislature, local housing authorities & residents.
 - Governing board between 9 & 11 members
 - Members should represent stakeholders & possess relevant professional expertise
 - Stakeholders nominate & Governor appoints
 - DHCD & ANF have 1 seat each on the board

- ❑ Tri-party Operating Agreement
 - Executed between each LHA, UMS & DHCD
 - Establishes operating rules, responsibilities & recourse
 - Assigns spending authority from LHA to UMS based on approved annual budgets and plans



Administrative Reforms

- ☐ \$160,000 cap on ED's total compensation
 - ☐ Revised ED Salary, Contract & Budget certifications
 - ☐ Confirm monthly board meeting attendance
 - ☐ Withhold subsidy for units vacant longer than 60 days (unless DHCD approved waiver)
 - ☐ Mandatory annual training for all board members
 - ☐ Annual independent financial audits of all LHAs
 - ☐ Board members to certify year-end financials
 - ☐ State-wide application and waitlist
 - ☐ Deem LHAs not comply with reporting requirements "Not in Good Standing" & ineligible to receive state funding
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